

Habitat for Humanity National Capital Region  
Financial Statements  
For the Year Ended December 31, 2023

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## Independent Auditor's Report

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To the board of directors of Habitat for Humanity National Capital Region

### Opinions

We have audited the financial statements of Habitat for Humanity National Capital Region ("Habitat"), which comprise the statement of financial position as at December 31, 2023, the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial position of Habitat as at December 31, 2023 and its statements of operations, changes in net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Habitat in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Habitat's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Habitat or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Habitat's financial reporting process.



#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Habitat's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Habitat's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Habitat to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants  
Ottawa, Ontario  
May 31, 2024

## Habitat for Humanity National Capital Region Statement of Financial Position

December 31	2023	2022
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 540,592	\$ 1,095,254
Accounts receivable	164,932	131,333
Prepaid expenses	103,664	195,614
HST receivable	323,761	123,239
Current portion of mortgages receivable (Note 2)	673,227	482,440
	<u>1,806,176</u>	<u>2,027,880</u>
Restricted cash	11,488	5,701
Mortgages receivable (Note 2)	2,864,176	1,450,157
Projects under development and asset held for sale (Note 3)	4,980,917	7,132,908
Tangible capital assets (Note 4)	4,322,005	4,269,221
	<u>\$ 13,984,762</u>	<u>\$ 14,885,867</u>
<b>Liabilities and Net Assets</b>		
<b>Current</b>		
Line of credit (Note 5)	\$ -	\$ 71,000
Accounts payable and accrued liabilities (Notes 6 & 9)	611,570	635,592
Interim occupancy payments	-	1,368,618
Demand loans (Note 12)	1,239,807	390,000
Current portion of long-term debt (Note 12)	33,339	32,868
	<u>1,884,716</u>	<u>2,498,078</u>
Lease inducement	111,255	127,526
Long-term debt (Note 12)	217,466	249,718
Deferred contributions (Note 7)	2,932,435	3,701,508
Deferred contributions related to tangible capital assets (Note 8)	2,570,556	2,313,020
	<u>7,716,428</u>	<u>8,889,850</u>
<b>Contractual obligations (Note 10)</b>		
<b>Net Assets</b>		
Internally restricted - lottery	11,488	5,701
Internally restricted - builds and mortgages	4,117,051	3,273,320
Unrestricted	388,346	675,895
Invested in tangible capital assets	1,751,449	2,041,101
	<u>6,268,334</u>	<u>5,996,017</u>
	<u>\$ 13,984,762</u>	<u>\$ 14,885,867</u>

On behalf of the Board:

\_\_\_\_\_ President

\_\_\_\_\_ Treasurer

## Habitat for Humanity National Capital Region Statement of Changes in Net Assets

For the year ended December 31	Internally restricted - lottery	Unrestricted	Internally restricted - builds and mortgages	Invested in Tangible Capital Assets	2023 Total	2022 Total
Balance, beginning of the year	\$ 5,701	\$ 675,895	\$ 3,273,320	\$ 2,041,101	\$ 5,996,017	\$ 5,788,621
Excess (deficiency) of revenues over expenses	5,787	1,077,029	-	(810,499)	272,317	207,396
Acquisition of tangible capital assets	-	(195,467)	-	195,467	-	-
Deferred contributions received for the purchase of tangible capital assets	-	(325,380)	-	325,380	-	-
Receipt of mortgages receivable	-	1,734,157	(1,734,157)	-	-	-
Notional interest on mortgages receivable and mortgage discount for interest free mortgages	-	1,193,716	(1,193,716)	-	-	-
Interim occupancy payments collected	-	(1,368,618)	1,368,618	-	-	-
Repayment of long-term debt	-	(31,781)	31,781	-	-	-
Increase of mortgages receivable	-	(4,532,679)	4,532,679	-	-	-
Repayment of line of credit	-	(71,000)	71,000	-	-	-
Expenditures on residential projects	-	(2,388,557)	2,388,557	-	-	-
Deferred contributions received for residential projects	-	(769,324)	769,324	-	-	-
Cost of homes sold	-	4,540,548	(4,540,548)	-	-	-
Increase of demand loans	-	849,807	(849,807)	-	-	-
Balance, end of the year	\$ 11,488	\$ 388,346	\$ 4,117,051	\$ 1,751,449	\$ 6,268,334	\$ 5,996,017

The accompanying notes are an integral part of these financial statements.

# Habitat for Humanity National Capital Region

## Statement of Operations

For the year ended December 31	2023	2022
Residential projects and related operations		
Proceeds from house sales	\$ 4,532,679	\$ -
Contributions recognized on house sales	1,691,063	41,397
Notional interest on mortgages receivable	228,580	129,200
Build remedial expenses	(2,507)	(49,465)
Mortgage discount for interest free mortgages	(1,422,296)	-
Cost of homes sold	(4,540,548)	-
Residential projects operations excess of revenues over expenses	486,971	121,132
Revenue		
Donations and fundraising	734,060	609,187
Net ReStore operations (Schedule 1)	187,818	334,506
Amortization of deferred contributions related to tangible capital assets (Note 8)	67,844	-
Rental income	99,479	32,132
Grants and other income	55,572	108,696
	1,144,773	1,084,521
Expenses		
Advertising and promotion	138,692	126,051
Amortization of tangible capital assets	87,934	5,806
Bank charges and interest	11,020	8,843
Board and committee	22,305	14,078
Fundraising	84,464	101,108
Insurance	23,000	12,872
Office	76,423	29,927
Rental property expenses	99,479	32,132
Professional fees	51,784	29,786
Rent and utilities	55,905	36,377
Repairs and maintenance	6,387	3,749
Salaries and benefits	657,213	551,954
Technology	14,858	31,923
Telephone, computer support and internet	1,755	756
Tithing (Note 9)	20,000	5,000
Vehicle	8,208	7,895
	1,359,427	998,257
Unrestricted excess (deficiency) of revenues over expenses	(214,654)	86,264
Excess of revenues over expenses	\$ 272,317	\$ 207,396

The accompanying notes are an integral part of these financial statements.

## Habitat for Humanity National Capital Region Statement of Cash Flows

For the year ended December 31	2023	2022
Cash flows from operating activities		
Excess of revenues over expenses	\$ 272,317	\$ 207,396
Items not affecting cash:		
Residential projects operations		
Proceeds from house sales	(4,532,679)	-
Contributions recognized on house sales	(1,691,063)	(41,397)
Notional interest on mortgage receivable	(228,580)	(129,200)
Cost of homes sold	4,540,548	-
Mortgage discount for interest free mortgages	1,422,296	-
Amortization of tangible capital assets	142,683	28,273
Lease inducement adjustment	(16,271)	(16,271)
	(90,749)	48,801
Changes in non-cash working capital:		
Accounts receivable	(33,599)	9,547
Prepaid expenses	91,950	(127,617)
HST receivable	(200,522)	110,142
Accounts payable and accrued liabilities	(24,022)	90,390
Interim occupancy payments	(1,368,618)	649,009
	(1,625,560)	780,272
Cash flows from investing activities		
Acquisition of tangible capital assets	(195,467)	(1,041,095)
Decrease of mortgages receivable	1,734,157	401,453
Expenditures on residential projects	(2,388,557)	(1,302,552)
Change in restricted cash	(5,787)	7,162
	(855,654)	(1,935,032)
Cash flows from financing activities		
Contributions received for residential project builds	921,990	1,003,585
Contributions received for tangible capital assets	257,536	232,383
Repayments of long term debt	(31,781)	(33,066)
Increase of demand loan	849,807	390,000
Decrease of bank indebtedness	(71,000)	(504,000)
	1,926,552	1,088,902
Increase in Cash	(554,662)	(65,858)
Cash, beginning of the year	1,095,254	1,161,112
Cash, end of the year	\$ 540,592	\$ 1,095,254

The accompanying notes are an integral part of these financial statements.

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# Habitat for Humanity National Capital Region

## Notes to Financial Statements

December 31, 2023

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### 1. Significant Accounting Policies

Nature and Purpose of Organization	<p>Habitat for Humanity National Capital Region ("Habitat") was established on March 1, 1993 by letters patent under the Canada Corporations Act and been continued under the Canada Not-for-Profit Corporations Act. Habitat is a registered charity under the Income Tax Act and, as such, is exempt from income taxes and may issue income tax receipts to donors.</p> <p>The mission of Habitat is to mobilize volunteers and communities to help working, lower income families build strength, stability and self-reliance through affordable home ownership. In order to support administrative and fundraising efforts, Habitat also operates retail stores, which sell new and used materials that are donated, herein referred to as "ReStore".</p>
Basis of Accounting	<p>The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.</p>
Financial Instruments	<p>Financial Instruments are recorded at fair value at initial recognition.</p> <p>In subsequent periods, financial instruments are reported at amortized cost. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.</p> <p>Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in the statement of operations. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in the statement of operations.</p>



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## Habitat for Humanity National Capital Region

### Notes to Financial Statements

December 31, 2023

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#### 1. Significant Accounting Policies (continued)

##### Revenue Recognition

Habitat follows the deferral method of accounting for contributions. Unrestricted contributions including donations and fundraising are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred, or when the mortgage for the residential project is transferred, if applicable.

Deferred contributions related to tangible capital assets represent the unamortized amount of donations and grants received for the purchase of tangible capital assets or contributed tangible capital assets. The amortization deferred contributions related to tangible capital assets is recorded as revenue in the statement of operations at the same amortization rate as the related tangible capital asset.

The ReStore locations sell new and used materials that are donated. Revenue from ReStores is recognized at point of sale, if collection is reasonably assured.

Revenue from projects and project contributions are recognized when Habitat has transferred the significant risks and rewards of home ownership to the partner family, in that all significant acts have been completed and Habitat retains no continuing managerial involvement in, or effective control of, the home to a degree usually associated with ownership, and reasonable assurance exists regarding the measurement of consideration. Generally, this occurs upon transfer of property title to the partner family. The proceeds recognized are determined by reference to fair market value of the homes transferred.

Rental revenue from operating leases is recognized in income on a straight-line basis.

##### Projects Under Development

Projects under development, which include land, buildings and building materials, both purchased and donated, are recorded at the lower of cost and net realizable value. Net realizable value is defined as the lower of market value less costs of disposition and the amount of non-forgivable mortgages to be assumed by partner families. Any excess of carrying value over net realizable value is expensed in the year in which the impairment is determined.

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## Habitat for Humanity National Capital Region Notes to Financial Statements

December 31, 2023

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### 1. Significant Accounting Policies (continued)

Asset Held for Sale	Asset held for sale is recorded at the lower of carrying amount or fair value less costs to sell. As at December 31, 2023 the assets held for sale's balance is \$nil (2022 - \$4,750,704).		
Tangible Capital Assets	Tangible capital assets are recorded at cost less accumulated amortization. Amortization is based on the asset's estimated useful lives using the declining balance method unless it's stated otherwise:		
	Computer software		50%
	Vehicles		30%
	Computer equipment		30%
	Furniture and fixtures		20%
	Leasehold improvements	Straight line over lease term	
	Titus Landing Building	Straight line over 50 years	
Restricted Net Assets	Net assets invested in projects under development is equal to the carrying value of the mortgages receivable, residential projects, bank indebtedness, interim occupancy payments, long-term debt related to residential projects and deferred contributions for houses and land, plus the projects under development less long-term liabilities and deferred contributions related thereto.		
	Net assets invested in tangible capital assets is equal to the carrying value of capital assets less deferred contributions related to tangible capital assets.		
	Unrestricted net assets represent the residual net assets of Habitat.		
Donated Materials and Services	Donated materials are recorded when a fair value can be reasonably estimated and they would otherwise be purchased by Habitat. Donated goods that are received by Habitat from the Habitat for Humanity Canada's ("HFHC") gifts in kind program, are recorded at the fair value estimated by HFHC.		
	Materials donated to the ReStore locations are not recorded as assets in the financial statements.		
	A substantial number of volunteers make significant contributions of time to Habitat's programs and supporting services. The value of this contributed time is not reflected in the financial statements due to the estimation difficulty.		

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## Habitat for Humanity National Capital Region Notes to Financial Statements

December 31, 2023

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### 1. Significant Accounting Policies (continued)

Use of Estimates	The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the year. Actual results could differ from those estimates. Significant estimates may include donated materials and services, the useful lives of tangible capital assets, valuation of projects under development, valuation of mortgages receivable, discount rate used for mortgages, sale of homes, and allocation of expenses.
Mortgages receivable	<p>Habitat has issued mortgages on the properties transferred. In addition, second and third mortgages have been issued on certain properties and are held by the City of Ottawa. Since the likelihood of the collection of these amounts cannot be determined, these second and third mortgages have not been recorded in the financial statements.</p> <p>When new mortgages are issued, they are initially recorded at fair value, subsequently it is measured at amortized cost. This method discounts the face value of the mortgage using the prevailing interest rate over the life of the mortgage. The difference between the face value of the new mortgage and the amortized cost carrying value is recorded on the statement of operations as "mortgage discount for interest free mortgages." Interest income on mortgages is recognized each year in the statement of operations as "notional interest on mortgages receivable" based on the prevailing interest rate at the inception of the mortgage.</p> <p>The mortgages receivable are non-interest bearing and have repayment terms ranging from 1 to 35 years. Mortgages receivable are classified as held to maturity and are measured at amortized cost using the notional interest method. Although the mortgages are non-interest bearing, they are accounted for using the notional interest rate determined on the initial issuance of the mortgage. These rates range from 3.355% per annum to 6.0% per annum.</p>
Interest capitalization	Interest is capitalized on debts incurred during the construction phase of a residential project and is expensed as part of the cost of the house when the project is complete and the mortgage is closed.

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## Habitat for Humanity National Capital Region Notes to Financial Statements

December 31, 2023

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### 1. Significant Accounting Policies (continued)

Residential projects	Land is recorded at the purchase price plus carrying costs or at fair market value at the time of the donation. Houses are recorded at cost plus the receipted value of donated goods and services. Houses are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable selling costs.
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*Impairment*

Residential projects measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized in statement of operations. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of any reversal is recognized in statement of operations.

Allocation of Expenses	Habitat separately discloses a statement of operations (Schedule 1) for its ReStore locations. Habitat allocates general support expenses by identifying the appropriate basis of allocating each component expense, and applies that basis each year. Allocations are based on the proportion of use and time between the ReStore locations and general organizational purposes.
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## Habitat for Humanity National Capital Region Notes to Financial Statements

December 31, 2023

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### 2. Mortgages Receivable

	<u>2023</u>	<u>2022</u>
Mortgages receivable	\$ 6,791,121	\$ 3,992,599
Less: Notional interest on non-interest bearing mortgages	<u>(3,253,718)</u>	<u>(2,060,002)</u>
Present value of mortgages receivable	3,537,403	1,932,597
Less: current portion of mortgages receivable	<u>673,227</u>	<u>482,440</u>
	<u>\$ 2,864,176</u>	<u>\$ 1,450,157</u>

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### 3. Projects Under Development

	<u>2023</u>	<u>2022</u>
Kemptonville Korners Development	\$ 4,190,679	\$ 1,641,678
Mac Street Build	679,836	631,482
Nantes Street Build	110,402	109,044
Leacross Landing Build	<u>-</u>	<u>4,750,704</u>
	<u>\$ 4,980,917</u>	<u>\$ 7,132,908</u>

During the year, loan interest of \$38,141 (2022 - \$16,936) has been capitalized to the cost of various projects under development.

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## Habitat for Humanity National Capital Region Notes to Financial Statements

December 31, 2023

### 4. Tangible Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
General				
Computer software	\$ 41,552	\$ 34,979	\$ 28,461	\$ 28,406
Vehicles	212,207	95,765	59,334	45,862
Computer equipment	41,838	41,478	41,838	41,324
Furniture and fixtures	31,823	22,400	23,800	20,044
Leasehold improvements	328,138	81,432	328,138	60,148
	655,558	276,054	481,571	195,784
Rental properties				
Titus Landing - Building	3,134,913	62,412	3,113,434	-
Titus Landing - land	870,000	-	870,000	-
	4,004,913	62,412	3,983,434	-
	4,660,471	338,466	4,465,005	195,784
Net carrying amount	\$ 4,322,005		\$ 4,269,221	

### 5. Line of Credit

At December 31, 2023, short-term bank credit facilities consisted of an operating line of credit in the amount of \$800,000 (2022 - \$800,000). The line of credit bears interest at Royal Bank of Canada's prime rate plus 1.70% per annum, and is secured by a general security agreement. As at December 31, 2023, Habitat has an undrawn credit capacity of \$800,000 (2022 - \$729,000) representing the revolving demand loan.

### 6. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$18,808 (2022 - \$20,294).

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## Habitat for Humanity National Capital Region Notes to Financial Statements

December 31, 2023

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### 7. Deferred Contributions

Deferred contributions represent contributions received which, subject to external restrictions, are to be used to cover expenses in the subsequent years. The changes in the deferred contributions related to projects under development for the year are as follows:

	2023	2022
Deferred contributions designated for projects		
Balance, beginning of the year	\$ 3,679,981	\$ 2,803,250
Plus: amounts received during the year	938,713	968,152
Less: amounts recognized as revenue in the year	(1,708,037)	(91,421)
Balance, end of the year	2,910,657	3,679,981
Deferred revenue for ReStore locations		
Balance, beginning of the year	21,527	20,971
Plus: amounts received during the year	251	556
Balance, end of the year	21,778	21,527
Total deferred contributions, end of the year	\$ 2,932,435	\$ 3,701,508

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## Habitat for Humanity National Capital Region Notes to Financial Statements

December 31, 2023

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### 8. Deferred Contributions Related to Tangible Capital Assets

Deferred contributions related to tangible capital assets include the unamortized portion of contributed tangible capital assets and restricted contributions used to purchase tangible capital assets.

	2023	2022
Deferred Contributions for Titus Landing Building		
Balance, beginning of year	\$ 2,228,120	\$ 1,995,737
Plus: amount received during the year	208,590	232,383
Less: amount amortized to operations	(31,334)	-
	<u>2,405,376</u>	<u>2,228,120</u>
Balance, end of year		
Deferred Contributions for Equipment		
Balance, beginning of year	84,900	-
Plus: amount received during the year	116,790	84,900
Less: amount amortized to operations	(36,510)	-
	<u>165,180</u>	<u>84,900</u>
Balance, end of year		
Total deferred contributions, end of year	<u>\$ 2,570,556</u>	<u>\$ 2,313,020</u>

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### 9. Habitat for Humanity Canada

Habitat for Humanity National Capital Region is an affiliate of Habitat for Humanity Canada (HFHC). There is a covenant agreement between HFHC and all Canadian affiliates whereby HFHC provides administrative and marketing support, training opportunities and in-kind contributions. In exchange for these services and support, Habitat pays an affiliation fee consisting of basic fee of \$12,500 per affiliate vote for a total of \$25,000 per year; 20% of cash donations raised by HFHC; 20% of the fair value of the in-kind contributions procured by HFHC related to build; 15% of the fair value of in-kind contribution procured by HFHC related to ReStore locations, and 4% of gross sales of all ReStore locations. The affiliation fee is recorded under advertising and promotion within the statement of operations. Habitat contributes a tithe for international work in the amount of \$20,000 (2022 - \$5,000).

As at December 31, 2023, due to HFHC amounted to \$9,757 (2022 - \$47,669) and is included in accounts payable and accrued liabilities. Included in the accounts receivable was an amount due from HFHC of \$77,995 (2022 - \$22,517).

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## Habitat for Humanity National Capital Region Notes to Financial Statements

December 31, 2023

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### 10. Contractual Obligations

Habitat entered a number of operating lease agreements for equipments and premises, the minimum annual payment for the next five years are as follows:

2024	\$677,423
2025	682,093
2026	697,986
2027	704,833
2028	249,496
Thereafter	<u>303,217</u>
	<u>\$3,315,048</u>

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### 11. Financial Instruments

#### Credit risk

Habitat is exposed to credit risk arising from its accounts receivable and mortgages receivable. Furthermore, Habitat is also exposed to credit risk arising in the event of non-payment of mortgages by the partner families. Management believes that the credit risk from non-collection of mortgages is minimal as the carrying value of the mortgages is substantially less than the fair value of the underlying homes. Habitat is also exposed to credit risk as all of its bank accounts are in one financial institution. There have not been any changes in the credit risk from the prior year.

#### Liquidity risk

Habitat is exposed to the liquidity risk mainly in respect of its accounts payable, line of credit, demand loans and long-term debt. Habitat's approach is to manage liquidity to ensure, as far as possible, that there will always be sufficient cash flow to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. There have not been any changes in the credit risk from the prior year.

#### Interest rate risk

Habitat is exposed to interest rate risk on its fixed and variable interest rate financial instruments. The variable rate line of credit exposes Habitat to a cash flow risk, while the fixed rate long-term debt subjects Habitat to a fair value risk. There has been no changes in the interest risk since prior year.

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## Habitat for Humanity National Capital Region Notes to Financial Statements

December 31, 2023

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### 12. Long-term Debt and Demand Loans

	2023	2022
Community Forward Fund Mortgage, bears interest rate at 5.25% per annum, repayable in blended monthly payment of principal and interest of \$3,805, secured by a general security agreement including land, building and equipment comprising the property, which has a net carrying value of \$679,836 (2022 - \$631,482). The loan matures in September 2027.	\$ 250,805	\$ 282,586
Less: current portion	33,339	32,868
	<u>\$ 217,466</u>	<u>\$ 249,718</u>

The principal repayments to be made during the next five years are as follows: 2024, \$33,339; 2025, \$35,132; 2026, \$37,021; 2027, \$39,012; 2028, \$41,110.

Habitat entered into Restore Impact loans, which are demand loans bearing an interest rate of 1.0% per annum. These loans require quarterly interest-only payments and are repayable by October 2024. As at December 31, 2023, Habitat has a balance of \$390,000 outstanding.

Habitat entered into a Vancity Community Investment Bank ("VCIB") loan, which is a demand loan bearing an interest rate of VCIB's prime rate plus 0.5% per annum. The loan requires monthly interest-only payments and is repayable by July 2025. As at December 31, 2023, Habitat has a balance of \$849,807 outstanding.

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### 13. Interfund Transfer

During the year, an amount of \$843,731 was transferred from unrestricted fund to the internally restricted fund for builds and mortgages as well as the rental properties invested in tangible capital assets to fund the cash outlays for capital asset acquisitions, expenditures on residential projects, and mortgage issuance.

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## Habitat for Humanity National Capital Region Schedule 1 - ReStore Operations

For the year ended December 31	2023	2022
Revenues	\$ 2,227,883	\$ 2,248,603
Expenses		
Advertising and promotion	11,902	11,480
Amortization of tangible capital assets	54,749	22,467
Bank charges and interest	31,412	29,970
Board, committee, and volunteer costs	15,370	3,583
Computer costs	11,511	11,440
Insurance	2,663	2,354
Office and other miscellaneous expense	107,893	71,463
Professional fees	15,940	9,986
Rent and utilities	636,061	637,115
Repairs and maintenance	85,233	106,855
Salaries and benefits	1,014,687	933,872
Telephone and internet	16,349	15,361
Travel and accommodations	700	-
Vehicle	35,595	58,151
	<u>2,040,065</u>	<u>1,914,097</u>
Net ReStore Operations	<u>\$ 187,818</u>	<u>\$ 334,506</u>